

D R A F T

Incomes and Rents Policy in Limited Dividend Housing

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INCOMES AND RENTS POLICY

SECTION 15 -- NATIONAL HOUSING ACT

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INCOMES AND RENTS POLICY

In late 1963, the stance of the Corporation on Section 16 limited dividend was that it discouraged applications from entrepreneurs except where necessary. However, the existing scale of rents which could be charged and tenant incomes which were allowed into projects was causing problems for project sponsors and threatening to limit the program take-up. The problems were due to the fact that rents were insufficient to cover increased costs and that vacancies were cropping up in some areas which made it difficult for some sponsors to meet their mortgage payments.

Rent and income levels were set separately although maximum rent levels set by the Corporation determined what could be built. The ingoing and outgoing income limits were based on the top income level for the lower one-third of the income group, determined for the locality, as follows: "Tenants may qualify for initial occupancy if income is at least 10% below the top income level in the lower third group in the community. They may continue in occupancy until their incomes exceed by 5% the top income level of the lower third group. The ingoing and outgoing income limits are rounded out to the nearest \$50."¹ Maximum monthly shelter rents and income limits had been revised in July 1958 and October, 1960. A submission was prepared to

Executive Committee noting the increases in construction costs, in municipal taxes and operating costs, and in the top level of the lower third of the income group. (Not included was a vacancy allowance or the extra costs of a higher rate of interest.) Based upon this an increase in the maximum shelter rent of \$6 was recommended for L.D. projects for families of low income. A general instruction was issued on November 5, 1963, announcing the \$6 increase for new projects, allowing the increase retroactively for existing projects where their income limit as specified in the operating agreement, was less than the new proposed limit, and listing the new income levels allowable by region and area.² No change was to be made for projects for the elderly. According to the new schedule of allowable rents and incomes, a low-income family at the top of the income range allowable could enter paying a maximum of 23.3% of their income for rent and would exit when their rent accounted for approximately 20% of their income.

At the time the Corporation was under pressure from developers who wished to see higher allowable rents and incomes for Section 16 projects and from politicians who questioned rental increases in Corporation-owned or controlled projects. To the politicians it was stated that rental increases were made only to cover increased costs. Entrepreneur applicants were controlled administratively and

sometimes rhetorically, as when a head office official telexed the Edmonton Branch manager about two proposed entrepreneur projects: "We do not want Hartwig or McNab around here."³

For senior citizen projects, the maximum rent allowable was \$70 with minimum ingoing incomes of not less than twice the net shelter rent, and a ceiling for continued occupancy of not more than five times the net shelter rent. In British Columbia incomes for senior citizen projects were limited to \$140 of Old Age Assistance plus the British Columbia cost of living bonus. The Corporation did not enforce an upper income limit which forced the elderly to vacate. A minimum ingoing limit was applied to projects, in that incomes had to be not less than twice the annual shelter rent.

When the Act was amended to include Section 16A the target income group was identified as those persons who "cannot qualify for subsidized housing and cannot afford open market rents." Public housing was intended to "provide accommodation to the lowest income group in the community."⁴

At first officials in the Corporation anticipated "approving loans on the hostel or dormitory type of accommodation only" and because such projects would invariably include other services, such as food, laundry, etc., they deliberated how an operating contract could single out the

housing rent which could be charged, thus meeting the Corporation's responsibilities.⁵ They hoped to limit the Corporation's responsibility for controlling the projects by putting some of the provisions of the operating agreement into the charters of non-profit corporations. This would require provincial regulatory and supervisory bodies to oversee the operation of the projects and the cost to the tenants for ancillary services provided. Where other authorities did not control the projects, the Corporation could be required to review the financial statements and budgets of non-profit companies to decide upon their acceptability.⁶

When project applications started coming in the Corporation found itself making up its lending policy in response to the demand. In effect, policy was seen as the "limitations on lending which should be made under Section 16A of the Act."⁷ And these were rendered up by the peculiarities of project applications. Two such early pseudo-decisions were: that loans in principle would be available to agencies who provided accommodation for the no-income or low-income groups, as long as a guarantee of loan repayment was available from some financially sound public or private agency; and that in such circumstances "where no identifiable rent is charged and where the inmates have no identifiable income other than welfare assistance" the Corporation should not

attempt to police either rents or incomes.⁸ At the same time, officials of the Corporation had been having discussions with representatives of the Department of National Health and Welfare with respect to the provisions of the Unemployment Assistance Act. The Corporation's policy at the time was not to finance nursing homes although housing could be built under the NHA as an adjunct of a nursing home.⁹

In determining what would be the rents and incomes for the new Section 16A, the policy directive issued in General Instruction #163, July 7, 1964, which announced the amendment, stated that Section 16 and 16A projects were to be directed to income groups that cannot qualify for subsidized housing and cannot afford open market rents. This was taken as referring to "people in the income band lying somewhere between the upper limit of the lower third of the income scale and the upper limit of the middle third of the income scale."¹⁰ In effect it was being recognized that full recovery housing was not suitable for housing those of low income except where support subsidies came from other sources which allowed this.

Two views on income limits were put forth and both were based upon the premise that the "intended purpose of the new policy is presumably to assist people in the income group beyond the lower third."¹² One view recommended using the median income in a locality as the maximum and

outgoing income for three-bedroom family units. Ingoing maximum incomes would be between one and fifteen percent below that. Shelter rental maximums would be established for localities, which for a three bedroom unit would be 23% of the median adjusted figure (median minus 10%), and \$7 per bedroom would be charged for larger or smaller units. Under this system ingoing and outgoing income figures could be increased by \$100 for each child in a family in excess of two.¹² It was suggested that a median income for the elderly be employed as a maximum nationally, along with a \$70 maximum shelter rent.¹³

The second view held that the upper limit of the income group not able to afford open market rents was \$5000. This was based upon the relationship between median family income in urban areas and the average family income of NHA borrowers. A shelter rent was calculated to be \$95.50 (23% of income) for a three bedroom unit. This was a lower rent to income ratio than existed in public housing units but higher than the G.D.S. ratio averaged by home purchasers using Part I of the N.H.A. A ten dollar differential for bedrooms was proposed, hostel accommodation providing the lowest rent of \$55 per month.¹⁴

The proposal which finally went forward from the Loans Division recommended that the maximum annual family income "for entry and continued occupancy in a Section 16

or 16A project would be \$5000 for a family with two children or less."¹⁵ No minimum income was stated. Two hundred dollars per child over two, up to a maximum of five children meant that a family of five children could not have an income greater than \$5,600 per year. It was further proposed that "once the family was in occupancy and the maximum income figure for that family had been exceeded,... the graduated rental scale used in public housing projects be put into effect".¹⁶ Maximum shelter rents allowable would be \$105 for a four-bedroom unit decreasing by \$10 per bedroom down to \$55 for a hostel unit.

Nothing came of these proposals until a situation developed which required a decision. In the case of the Convalescent Home of Winnipeg, the province questioned the maximum income allowable in hostel units (five times the rent, which in this case was \$2,022.). The province felt that the existing policy tended to "discourage those voluntary non-profit and religious groups as well as the municipalities, all of whom are so urgently required as sponsors for the construction and operation of these facilities."¹⁷ A new policy was set when Mr. Hignett wrote to the Province stating that the Corporation would be satisfied if operators of hostels,¹⁸

- (a) reserve the accommodation for persons who are unable within their means to obtain accommodation suitable for their needs;

- (b) within this group, to give priority to the extent possible to those having lower incomes;
- (c) advise us at least as frequently as annually of the ranges and averages of incomes of the tenants and should such information indicate that the objectives of the National Housing Act are not, in fact, being met, to change their method of selection of tenants in such manner as the circumstances would indicate to be warranted.

Other decisions repudiating the presumption that Section 16A would serve incomes above the lower third were communicated in General Instructions #218 and #219 on July 16, 1965. For elderly persons' self-contained accommodation, maximum ingoing income limits were established at \$2700 for bachelor units and \$3600 for one-bedroom units. The exception was British Columbia where the provincial government established its own rates in keeping with Old Age Assistance and the provincial cost of living bonus. The age limit for elderly people of 60 years was removed.

No minimum income limits were to prevent entry into Section 16A projects. Maximum ingoing and exit incomes for family accommodation ranged around the top of the lower third of the income group, by locality. For hostel units no income limits were set. Rents for all projects were to be a reflection of conditions of the loan but it was required that they be lower than market rents for comparable accommodation.

Although these instructions set down the guidelines

for the use of Section 16A they did not relieve the pressure on the Corporation for wider application of the program. An application from Thompson, Manitoba found the income limits restrictive and led one Executive Director in the Corporation to suggest that because the statutory definition of a low-income family was "one that 'receives a total family income that in the opinion of the Corporation is insufficient to permit it to rent housing accommodation adequate for its needs at the current rental market in the area in which the family lives,' that "the income schedule used to define low-income families for Section 16 and 16A purposes, should be based on an evaluation of rent levels and not income levels in the area concerned."¹⁹ The result of this suggestion was that "income levels in the upper portion of the lower third income group" and rental levels "in certain selected areas" (including Thompson, Manitoba), were revised upwards.²⁰

Although it was realized that acute housing shortages were developing in some areas, that take-up of the non-profit program was not significant, and that restrictions on the limited dividend entrepreneurial program were contributing to these shortages in the absence of sufficient private investment, the Corporation felt it could do little to alleviate the situation. Because Corporation policy was set, and governmental funds for housing were limited, one could only wait and "hope that the recent interest rate increase might

provide a better flow of funds to private development of housing ... and it may be necessary that economic forces create some improvement in the overall rental structure ... to provide a sufficient return for private enterprise to be interested in rental housing."²¹

By early 1967 housing costs were increasing and the supply of rental accommodation was becoming constricted. Activity under Section 16A had been small and almost totally for the elderly or for special groups. Although in 1965 the Advisory Group in the Corporation had recommended an expansion of the provisions of the non-profit housing program and the elimination of the limited dividend entrepreneurial program, these suggestions were not acted upon. In view of the 1967 situation several suggestions came forth from within the Corporation. One was to establish tenant eligibility on the basis of income after the rental of the unit had been determined. Another was to raise the income eligibility level to the median income level for the community. In both of these suggestions it was held that 25% of income could be devoted to rent. The proposal which went forward to management and cabinet was based upon the 1965 Advisory Group's recommendations. It was to provide loans of 100% of lending value and to reduce by up to 10% the amount repayable to the Corporation on the loan, dependent upon equivalent grants from other sources. It was further

suggested that "no specific income limits be imposed for entry and continued occupancy in a project" and that the non-profit sponsor be allowed considerable latitude in determining eligibility.²² Entrepreneurs would also be employed under limited dividend type arrangements to build projects which could be transferred to non-profit sponsors who could then benefit from the special terms available to them. The proposal was rejected.

Funds for Section 16 and 16A were budgeted together. With the limited take-up of Section 16A and the restrictions on Section 16 entrepreneurial, annual surpluses were recorded for the budget allocation. Entrepreneurs were turned to to take up the slack and relieve the existing shortage of rental low-income housing. In order to do this the Minister suggested increasing allowable tenant income to \$7000. CMHC prepared to relax its administrative controls on Section 16. Rents were to be below market rate as a reflection on the terms of the loan, but incomes allowable were to be geared to the rental price of the unit. Although in 1964 it was determined that projects financed under Sections 16 and 16A were to be directed to the income group that could not qualify for subsidized housing and could not afford open market rents, that income band was never officially established by the Corporation. In fact, for family housing the Corporation had intended to

determine the income band on a local project by project basis. As a loans officer pointed out, "No such applications have been received to make a test case for a Section 16 or 16A loan for families of this income band."²³ The same individual noted that "entrepreneurs are not interested in the social aspects of a community and municipalities feel they have no social obligations to families who do not require subsidization in one form or another."²⁴ Yet the Corporation was now prepared to gear allowable incomes for low-rental projects to be a function of the rent resulting from liberalized costs; namely four times rent plus 15%, rounded out to the nearest \$10.²⁵ At the same time the Corporation decided to allow non-profit companies to decide upon income limits for their projects for the elderly, subject to Corporation scrutiny. The exception to this was British Columbia, where the province set a maximum income. For existing entrepreneurial projects for the elderly the income limits of \$2700 and \$3600 remained in effect.²⁶

Even though in 1967 instructions were issued effectively linking rents and incomes, as long as rents were below market, in principle, since June 23, 1966, initial entry incomes for family limited dividend projects were required to be at least 10% below the top income level of the lower third income group for the local area. Exit was to occur after the income of the tenant exceeded by 5% the

top of the lower third income group. No response came from sponsors during 1966 and 1967 to the Minister's suggested \$7000 income limit. In July, 1968, the Corporation raised the maximum income limits for initial and continuing occupancy in existing limited dividend projects for families to \$6500 and \$8500 respectively per year across the country. In August a General Instruction was issued to this effect, incidentally including Section 16A existing projects, for which no policy change had been made since 1966.²⁷

(When in early 1968 the Nova Scotia Housing Commission inquired about family income limits under Section 16A of the NHA, it took a month for the Head Office Loans Division to offer its opinion, (in view of the changes to Section 16 in 1967,) that "rents resulting from 16A financing should be lower than those resulting from Section 16 financing since there is no return on equity to be included in the operating expenses."²⁸

Elaborating on this, it was noted that "Section 16A is definitely aimed at individuals and families of low income therefore, it could be that the L.D. income formula might be a little too rich for this section since in its application you may be providing housing for persons who are above the lower third group."²⁹

Throughout the period described above, the full

recovery housing programs under Section 16 and 16A underwent a dramatic change. Entrepreneurial housing was separated from and tightly controlled between 1964 and 1968. The non-profit program failed to live up to the expectations placed upon it, in fact it became mostly a program which served senior citizens. But perhaps most important was the fact that full recovery housing moved from being a program where the needs of the low-income group determined the projects to be built, to being a program where the income group which could be served was determined by the cost environment of the program's projects. As if to signal this change, the legislation was changed again in June, 1969, merging Sections 16 and 16A and extending to 95% from 90% the ratio of loan to lending value. Any person including non-profit groups and co-operatives, was now able to utilize the section. The elimination of the dividend limitation on entrepreneurs meant that the operating contract between the entrepreneurial sponsor and the Corporation was relied upon to control rentals.

As the Corporation began to gear itself for a wider entrepreneurial program in 1968 it was recognized that previous to this "policy limitations on allowable cost per unit and maximum family income for eligible occupancy were too restrictive to permit private developers to construct projects at current cost levels."³⁰ An executive

director of the Corporation explained the new policy:

"These policy limitations were, therefore, revised to realistic levels and related directly to current market rental rates in the area in which the project is proposed. This means, for practical purposes, that any project producing a rental level sufficiently below current market to reflect the savings achieved through the lower interest rate, longer amortization and limited return on equity, would be acceptable. Incomes of eligible tenants shall not exceed 4.6 times the annual rent. ... As might be expected, patterns in rents have varied considerably, but all projects approved today [sic] have proven to be capable of accommodating families with incomes below approximately \$8200."31

Early in 1969, the Corporation canvassed the relevant regional and head office staff to determine what changes in policy and procedure were required for the Section 16 program for its future success. The suggestions which came in related entirely to entrepreneurial housing, and they proposed increasing the income limits, increasing the loan coverage and changing the way in which it was determined, eliminating the limited dividend requirement and allowing any responsible person to take out a loan as long as they agreed to adhere to rent control provisions. As mentioned above, most of the suggestions were adopted in the 1969 amendments to the NHA for Section 16 and as any residual thoughts about the social connotations of the program were vanishing, the economic hypothesis of the special 1970 and 1971 programs became clear. "Any project will be considered which would be eligible as a normal rental loan under Part I of the Act; that is, if the market will support

the project at lower than market rentals."³².

The new confidence which the Corporation had in the productive capacities of entrepreneurs during the special programs of 1970 and 1971 seemed to be sucked out of the well of confidence which formerly had been reserved for non-profit sponsors. Indeed, since the non-profit program identified itself on the basis of activity primarily with the housing problems of the elderly, unusual sponsors, which now included co-operatives and various forms of community groups, found it time-consuming and sometimes difficult to deal with the Corporation. They were reminded sometimes ironically, of the need to provide low-rent housing for low-income people and their projects were only reluctantly allowed to proceed, usually on a pilot or experimental basis.³³

In order to ensure the success of the 1970 special lending program income restrictions were again changed. It now became possible to rent units to tenants where their incomes would not exceed 30% of their annual incomes. If occupancy of the units was not gained at that level, "after consultation with the Corporation the owner may rent to tenants whose income may equal but not exceed four times the rent. When tenants' income reaches four times the rent plus 15% he must vacate."³⁴ The income ranges served were at the same time raised by a new liberalized

definition of income.³⁵ A subsequent General Memorandum noted that the rentals proposed for projects under the special program ("to assist the production of housing for modest income earners ... and at the same time provide a minimum of 15,000 extra starts"), ... "should be at a level in the main that will permit wage earners under the \$9000 income target to be eligible (income target not applicable in resource towns)."³⁶

The new rent and income approach was clarified in a subsequent general instruction,

"Maximum annual rental is the maximum rent chargeable to tenants. This figure does not necessarily include fully paid services. Therefore, where essential services such as heat, light, and water are not reflected in the rental rate, the estimated cost of these services are to be added to the rentals to calculate maximum incomes."³⁷

This, of course, had the effect of raising the allowable incomes for such projects. The maximum allowable income at which a person could remain in projects now was set at the point where his total rent constituted 21.7% of his income.

Other changes were made in the manner in which lending values were determined for entrepreneurial projects. When a project was submitted by an applicant it was accompanied by a cost approach. To determine the lending value, and thus the loan amount, CMHC undertook its own cost and income approach value estimates. Unless significantly

different from the CMHC estimate, the applicant's cost estimate would be accepted. At the same time, CMHC loan appraisers were required for their income approach cost estimates to employ the following guidelines:

- (a) the market rentals selected are to be at the top of the local market range for comparable accommodation as revealed by analysis
- (b) the capitalization rate applied is to assume a mortgage interest rate at the bottom of the current range being experienced for insured rental loans.³⁸

Additionally, the applicants' operating expense estimates were to be accepted as long as they were not outrageous.

Loan approval operations were decentralized to speed the production of starts and the Minister was assured that "loans are negotiated entirely at the Field Office level where they are thoroughly examined by the local technical staff from a planning as well as an economical and social point of view having regard to conditions prevailing in the particular locality and covers fully rents, income of tenants, site selection and amenities. The applicants' financial capabilities as well as his experience in the construction and management of rental projects are also assessed locally."³⁹

Approval authority also applied to non-profit projects, but the requirement that a start must occur within 45 days of the approval was not so rigidly applied to non-profit sponsors.

By the middle of 1971, the Corporation was finding that it had created an interesting situation for its social housing programs. While it had added a substantial number of units to the housing stock, and thus relieved some of the housing "shortages" which existed in various parts of the country, this had been done by means of a full-cost recovery program which, because it was geared to entrepreneurial market production methods did not necessarily serve the lower third of the income group. The Corporation had deemed it important to deal with problems of housing supply over problems of housing need, and problems of supply, if costs to the federal government were to be controlled, had to be paid for by those who could afford to pay for additional housing units. While some filtration effect undoubtedly occurred over the period, its effects were most probably minimal. The subsidized Public Housing program, which was expanded in 1964, even though its effects were unevenly distributed across the country and not very significant in terms of total housing stock, became the conceptual vehicle for serving those of the lower third of the income

group. And even though the Corporation has internally recognized the problem of insufficient public housing, coupled with a significant gap in the income groups served between public housing and full recovery housing, it has not yet responded to the important needs of those whose incomes are below that which can be served in full recovery-type housing.

The Corporation has known that by operating a full recovery program through entrepreneurs, it automatically increases the rentals which will have to be charged and the incomes, accordingly, which may be served.⁴⁰ Yet it has resisted the use of other techniques, (apparently because of cost considerations), which would assist the income group which the program was originally intended to serve. In effect, it has failed to examine the implications for those served, of the relationship which its changed policies have created, between public housing and Section 15 housing.⁴¹ Although the Corporation allows that "non-profit low-rental housing and subsidized public housing are intended to serve two different income groups and there is usually room for both kinds of housing in a municipality.", it has yet to adequately deal with the consequences of the shortcomings of its programs and policies.⁴²

When the amendments were brought in during 1964, delineating separate non-profit and entrepreneurial full-recovery programs, the question arose of whether rental subsidies under Section 35E of the NHA, (now Section 44) would be available and applicable to full recovery units. Opinions differed in the Corporation over this point until they were tested.

The General Instructions introducing Section 16A noted the relationship between Section 16A and Section 35D but did not mention whether Section 35E was applicable to Section 16A:

"Subsidized rental projects built under the Federal-Provincial arrangement and under the new provisions of Section 35D will provide accommodation to the lowest income group in the community. It is proposed to direct projects financed under Section 16 and 16A to the income group that cannot qualify for subsidized housing and cannot afford open market rents."⁴³

However, officials of the Corporation did foresee the possibility of subsidized full recovery units. A loans officer, in noting that projects financed under Section 16 and 16A would be ineligible for subsidy under Section 35E felt that:

Under Section 35, ... rents are geared to income, and under Section 35E provision is readily available to make up the difference between expense and revenue. The subsidy is possible and even foreseen right at the outset. We suggest that to approach a Section 16 or 16A proposal in this way would be completely contrary to the intent of the legislation. It may be added, however, that where a Section 16 or 16A operating project runs into trouble and it is apparent that insufficient revenue is available, consideration may then be given to converting to a Section 35D project and invoke [sic] the subsidy under Section 35E. Of course, this would only be possible for those organizations who could qualify under Section 35D and E.⁴⁴

Yet at a meeting of the Regional Supervisors at Head Office some months later, another Corporation official remarked that in principle, CMHC would consider an application for a subsidy under Section 35E of the Act on a project which had been financed under Section 16.⁴⁵

As early as 1965 the city of Ottawa was considering applying for a 35E rental subsidy arrangement to be applied to its limited dividend family housing. When the city of Sherbrooke, Quebec, applied for a loan for a project under Section 35D, without a 35E subsidy arrangement but in antici-

pation of an eventual one, the Director of the Urban Renewal Division felt that the Corporation should insist on the city employing a Section 16A loan. But he added that there was, "of course, no reason why a 16A project could not receive a subsidy under Section 35E if the municipality found that such a subsidy were required."⁴⁶

The city of Ottawa proposal was made informally again in 1968, but the city wished either to have fixed rents under a 35E arrangement, or, failing that, to "devise a scale to meet the particular situation existing in the Ottawa scale."⁴⁷

In 1967 the Metropolitan Toronto Housing Corporation was allowed to enter into a 35E subsidy arrangement for its Section 16A project for the elderly in the Alexandra Park urban renewal area in Toronto. This was the first formal request for a Section 35E subsidy with a Section 16A loan which the Corporation received, and it was approved.

The Corporation's policy internally seemed to be undecided on the application of 35E subsidies to 16A projects; externally no encouragement was given to such applications. In 1969 the Ottawa Branch was advised not to re-open with the city of Ottawa the question of Section 35E assistance for its non-profit projects for senior citizens as "the

climate is not quite right for entertaining this proposal." The "climate" in question apparently pertained to a possible revision of the graduated rental scale, and it was felt that no separate scale should be set up in Ottawa prior to the revision to the existing scale for public housing projects. The new scale was expected to be universal in application.

Early in 1971 a Corporation official explored the question of applying Section 35E subsidies to Section 16 projects. He was prompted by the fact that the President had expressed the Corporation's willingness to enter into such arrangements with the Province of Ontario. The Ontario Housing Corporation had already entered into such an arrangement by leasing some units in a Section 16 project and applying a 35E subsidy to the units. He proposed that the Corporation allow such arrangements across the country, with emphasis in areas of greatest need. His premise was "that if a Section 16 entrepreneur project for families or senior citizens can be validated in any community, the need for public housing may be equally validated."⁴⁹ He suggested that probably only Ontario, Manitoba and possibly Alberta would be interested in the "program", and that a proportion of Section 16 entrepreneur funds could be earmarked as those to which a 35E subsidy could be applied. Arrangements would be made for five-year commitments under Section 35E "in the event that new and

better programs for low-income housing are evolved in the next five years", and "no more than 25% of the units in any project should be acquired by this technique"⁵⁰ He further noted that OHC had raised the idea with Section 16 entrepreneurs (through the Urban Development Institute), and had received a favourable response.^{51,51a}

Nothing came of these suggestions, but in lieu of a firm policy, Branch managers were requested by General Memorandum to avoid "embarrassment" to the Corporation by telling prospective applicants that favourable consideration is unlikely. "So the Manager's role in the particular negotiations, both about the proposed change from the full recovery low-rental operation and the proposal for a subsidy arrangement, can be cleared in advance, each preliminary approach is to be promptly reported" to head office. "In this way, the Corporation hopes to strengthen its subsequent position in dealing with any formal applications."⁵²

No official policy change has yet been made by the Corporation, in spite of the fact that "there has been continued pressure on the Corporation to alter this policy, particularly as it applies to senior citizen units."⁵³ The "Corporation's policy is to resist or discourage the conversion of Section 15 ... full recovery rental projects to subsidized public housing rental projects."⁵⁴

FOOTNOTES

1. Memo, R. E. Sheppard, Associate Director, Loans Division, to H. C. Linkletter, Executive Director, October 21, 1963.
2. G.M. #122, November 5, 1963
3. Telex, H. Glover, Director, Insurance Loans Division to J. J. Stirton, Manager, Edmonton Branch, November 1, 1963.
4. General Instruction, #163, July 7, 1964.
5. Memo, F. P. Aubrey, Chief Loans Officer, to R. E. Fowler, Solicitor, August, 17, 1964.
6. Memo: F. P. Aubrey, Chief Loans Officer, to J. N. Hobbs, Assistant Director, Guarantee and Real Estate Departments, August 20, 1964.
7. Memo, A. D. Wilson, General Counsel, to H. W. Hignett, President, September 18, 1964.
8. Ibid.
9. Memo to file, W. O. Myles, Loans Division, August 11, 1964.
10. Memo, F. P. Aubrey, to A. D. Wilson, September 24, 1964.
11. Memo, F. P. Aubrey to H. Glover, Director, Loans Division, November 13, 1964.
12. Ibid., and Memo to file, F. P. Aubrey, October 27, 1964.

13. Memo, F. P. Aubrey, to A. D. Wilson, October 8, 1964.
14. Memo, G. G. Purchase, Appraisal Dept., to F. P. Aubrey,
November 9, 1964.
15. Memo, R. E. Sheppard to A. D. Wilson, December 4, 1964.
16. Ibid.
17. Letter, K. O. Mackenzie, Deputy Minister of Welfare
Province of Manitoba to H. W. Hignett, April 14,
1965.
18. Letter, H. W. Hignett to K. O. Mackenzie, April 8, 1965.
19. Memo, R. T. Adamson to H. W. Hignett, March 2, 1966.
20. Memo, R. E. Sheppard to R. T. Adamson, March 4, 1966.
21. Memo, A. D. Wilson, to F. P. Aubrey, November 30, 1966.
22. Memo, R. E. Sheppard to A. D. Wilson, February 16, 1967.
23. Memo, W. O. Myles to R. Duchesne, October 19, 1967.
24. Ibid.
25. General Instruction #289, December 21, 1967.
26. General Instruction, #288, December 21, 1967
27. General Instruction #312, August 12, 1968, see also
Minute of the Executive Committee, July 11, 1968.

28. Memo, R. Duchesne, Assistant Director Loans, to G. A. Miller, Assistant Manager, Halifax Branch, March 11, 1968.
29. Ibid.
30. Memo, A. D. Wilson to L. Axworthy, Executive Assistant - Housing, October 15, 1968.
31. Ibid.
32. Letter, E. R. Collins, Chief Appraiser to K. Scott President, New Brunswick Housing Corporation, March 3, 1970
33. See for example the correspondence relating to
 - Steel Village Housing Co-op of Thompson Manitoba mid 1968
 - Co-operative Habitat Association - during 1970
 - Co-operative Housing Foundation, National Labour Cooperative Committee, 1970
 - (- Brown Camps Residential and Day Schools, 1970)
 - Co-operative Housing Association, Calgary, 1970
34. Memo, R. Duchesne to W. E. Scott, General Solicitor, June, 16, 1970.
35. Attachment "Definition of Income" to above memo.
36. General Memorandum #B.538, August 10, 1970.
37. General Instruction, #344, August 12, 1970.
38. Memo, A. R. Pitt, to All Branch and Senior Loans Office Appraisers, August 19, 1970.
39. Memo, J. Lupien, Vice-President to R. Andras, Aug. 20, 1970.

40. See for example, the memo from E. B. Lalacheur, Real Estate Appraisals Officer, to R. L. Mersey Atlantic Regional Supervisor, Dec. 3, 1969. Mr. Lalacheur discusses a seminar he attended where the role of developers in Social Housing Assistance under the NHA was discussed. A Halifax developer pointed out that the net advantage of the program's projects could be accrued by the developer, implying that the consequences to the tenant of the program were being less than fully transmitted,

and

the letter from Martin O'Connell, M.P., to R. Andras, pointing out that in order to qualify for entry into Section 16 entrepreneurial housing a low income person was required to pay at least 30% of his income in rent, and that this created an inequitable jump (because of income entry limitations) between public housing and Section 15 entrepreneurial housing. (July 29, 1971)

The reply from Mr. Andras stated that the "whole subject of housing costs as related to incomes is under fairly constant review," but that the relationship between the income scale for OHC housing and privately sponsored Section 15 housing was not so direct as Mr. O'Connell had assumed. Privately sponsored housing under Section 15 required the tenant to bear a larger proportion of the operating costs. This, he claimed, was because the subsidy was smaller in Section 15 housing, but he felt that rents as a proportion of income were still smaller under Section 15 than would be the case for, say, home ownership. August 18, 1971.

41. See for example the memo from J. McCulloch Branch Manager, Toronto, to C. E. Locke, Supervisor, Ontario Region, July 16, 1971, noting the difficulties of some Section 16 entrepreneurs in finding tenants at the low end of the income scale. He noted that the tenant who still has some freedom of choice, with incomes in the ranges between the level where direct subsidy is required and that at which they are self-sustaining, is simply not prepared to pay 30% of his disposable income for shelter. The feeling is aggravated, of course, by the fact that at levels marginally below these incomes, if indeed there is not an overlap, these persons are potential tenants for OHC projects, frequently in accommodation cheek by

jowl with the Section 16 developments and probably indistinguishable from each other."

He noted that while the tenant often must accept "a rental unit considered by others as being appropriate to his needs" in the home ownership situation, (condominium) where a similar proportion of income was required for purchase and payments the same problem of resistance was being encountered.

He suggested that the Corporation "should not establish the income requirements on projects until near the first occupancy date, rather than write in some unrealistic figures which can be out of date and require revision before the tenants move in."

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The Ontario Regional Supervisor felt, that, in spite of the Branch Manager's misgivings that "O.H.C. has on its waiting list hundreds, perhaps thousands of families whose stated incomes are in the order of \$7,500, which is as you know, the target income for Section 16 projects in the Metro area this year."

Memo, C. E. Locke to J. Trowbridge, Regional Economist, July 20, 1971.

and,

the memo from J. McCulloch, Branch Manager, Toronto, to A. D. Wilson on Section 15 Loans, where he states that "there are many families seeking this accommodation, (Section 15) but in the income ranges to which allocations must be restricted, there is unwillingness and indeed outspoken resistance to setting aside the required proportion of defined income as rent. The problem stems from the fact that our Section 15 income requirements at the lower end correspond to, and indeed in some cases dip into the upper end of the public housing rent scales, and very real anomalies can result. Two almost identical families, differing only by, say, a few hundred dollars per year in defined income, can gain or lose a very substantial rental subsidy for almost identical accommodation."

He went on to state that "in this area at least, where there is a very active market in the fully economic field, and a very considerable volume of subsidized housing being provided at the other economic extreme, our Section 15 lending should be directed to that very

substantial grey area which lies between. This applies to both family housing and housing for the elderly." October 26, 1971.

Mr. Wilson's reply, dated November 17, 1971, stated that "we are somewhat concerned about your assessment that the market will not support sufficient demand to provide occupancy within reasonable time of those Section 15 projects already committed which are now coming on stream at the 3 1/3 x rent/income ratio. ... The situation is even more significant in view of the fact that you are just embarking on a commitment programme in Toronto area for some 1500 odd units of Section 15 housing which, if your assessment is correct, cannot fit within our current policy." He promised that the situation would be investigated.

42. General Memorandum #B626, September 30, 1971.
43. General Instruction, #163, July 7, 1964.
44. Memo to file, F. P. Aubrey, October 27, 1964, Section 16A.
45. Regional Supervisors Meeting at Head Office on May 5, 1965, Section 16A, Loans to Non-Profit Corporations, Secretary F. P. Aubrey. Remark made by A. D. Wilson, P. 9.
46. Memo, H. Borland to I. R. MacLennan, Vice President, September 27, 1965.
47. Memo, J. P. Ryan Coordinator, UR & PH to Miss M. C. Duffy, Ottawa Branch Office, July 19, 1968
48. Memo, J. A. MacGowan, Coordinator UR & PH, to Miss M. C. Duffy, December 12, 1969.
49. Memo, A. J. E. Smith, Director, UR & PH, to A. D. Wilson and A. E. Coll, January 14, 1971.
50. Ibid.

51. Ibid.

The "maybe" approach to policy gave rise to some interesting proposals. One such came from Kelowna, B.C., where the Branch Manager queried whether it would be possible, "under the guise of innovation for an entrepreneur to develop a non-profit limited dividend for low income families and by means of a separate agreement with the City, enable them to reap the benefits of Section 35E. This would allow the acceptance in the project of welfare cases. The advantage to the developer would be in the tax shelter which he might gain from interest and capital cost allowances." Memo, E. R. Collins to R. Duchesne, March, 19, 1971.

- 51.a That the Corporation's policy was still unclear was evident late in 1971 when the Toronto Branch Manager inquired whether Section 15 loans required an OHC tenancy component. (He felt that such would be a "strongly inhibiting feature here.")
Telex, J. McCulloch, to R. Duchesne.

A. D. Wilson replied to him by memo, "It is my understanding that in this Fall's programme we are not requiring OHC participation leaving it entirely up to that organization to negotiate with developers any bulk leases it considers it should have.
November 17, 1971.

52. General Memorandum, #B626, September 30, 1971.
This approach was used for example on the Manitoba Housing and Renewal Corporation. See the letter from G. N. Sneyd, Manager, Winnipeg office, CMHC to Mr. Neil Osler, Chairman, MHRC. July 7, 1972.

53. Memo, A. J. E. Smith to Director, Loans Division
to Director Mortgage Admin. Div.
to PPD
to Chief Appraiser, Appraisal Div.
November 7, 1972.

54. Ibid.